



McHenry County  
Department of Planning and Development

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July 7, 2017

Mr. Ray E. Willis, Director  
Office of Community Planning and Development  
United States Department of Housing and Urban Development  
77 West Jackson Boulevard  
Chicago, IL 60604-3507

Re: McHenry County Response to 2016 Program Year-End Review Letter

Dear Mr. Willis:

We are in receipt of your letter received June 7, 2017 regarding review of the 2016 McHenry County Consolidated Annual Performance and Evaluation Report (CAPER). We are pleased to note that your initial review has led to the determination that McHenry County has the continuing capacity to administer Community Planning and Development programs.

Your letter identified the need for responses to some specific questions which we would like to address in this correspondence. We will respond to each request and identify our intended follow-up and timelines.

***"Please submit a corrected PR-26 for HUD Review. The carry-over from the 2015 PY is reported as \$1,098,092.62. Line 1 of the 2016 report does not reflect this amount."***

**Response:** Community Development Division staff identified that the PR-26 Report does not automatically carry over this number to the following CAPER. CD Staff have already corrected and submitted the updated PR-26 reflecting the correct carryover balance of \$1,098,092.62.

***"Provide information on the number of owner and renter households assisted meet the Section 215 definition of affordable housing included."***

**Response:** The County acknowledges the importance of affordable housing and the Section 215 guideline of qualifying it as generally being a rent or housing cost of no more than 30% of adjusted income. In the process of reviewing its Five Year Consolidated Plan for Substantial Amendment 2, Community

Development staff identified an error in the manner in which a hired consultant entered the HOME Investment Partnership activities when originally completing the Consolidated Plan. Presently, all of the HOME activities are “lumped together” rather than delineated (i.e. rental units developed, Homebuyer activities completed). Staff indicated this as a factor in Substantial Amendment 2, which is expected to be authorized by the McHenry County Board on July 15, 2017. Upon authorization, the Consolidated Plan will be appropriately amended to delineate these activities for more concise reporting to HUD. An updated CAPER will reflect this information.

***Provide an evaluation of progress in meeting its specific objective of providing affordable housing assistance during the reporting period. Each type of owner and rental household should be discussed (ELI, LI, Mod., MI, Homeless).***

**Response:** The same factor identified in delineating the HOME activities also affects the ability to correctly pull a report that will clarify the housing by type and the level of income served. Additionally, a separate CDBG activity is also being corrected by the same Substantial Amendment and it will now generate reporting on the number of beneficiaries by income level, etc. An updated report will be provided to HUD upon completion of the adjustments in IDIS.

***Provide a summary of the efforts to address "worse case needs," and progress in meeting the needs of persons with disabilities. Worse-case housing needs are defined as low-income renter households who pay more than half of their income for rent, live in seriously substandard housing, which includes homeless people, or have been involuntarily displaced. The needs of persons with disability do not include beds in nursing homes or other service-centered facilities.***

**Response:** Acting as Planning Grantee of the McHenry County Continuum of Care to End Homelessness, the Community Development Division initiates the annual Continuum of Care funding competition. More permanent housing and housing serving those with the potential of being rent-burdened (especially families fleeing domestic violence) have become more incentive in the CoC Competition. As a result, two new projects providing Rapid Rehousing and one new project providing Permanent Supportive Housing for the Chronically Homeless were developed in the 2016 Competition and funded through the Permanent Housing Bonus and a reallocation of lower performing projects.

The needs of the homeless and rent-burdened transcend all funding opportunities of the Consolidated Plan. Projects submitted for consideration of CDBG and HOME funding are more heavily weighed if there is a focus on disabled or homeless populations. As a result, the County was able to leverage tax credits through 2017 HOME funding that will be utilized to construct a new 25 unit Permanent Supportive Housing program in McHenry.

For its 2018 HOME funding competition, the County incentive the use of the Tenant-Based Rental Assistance program, offering flexibility in program design. Two projects will be funded in 2018, both will serve homeless and one will specifically work with rent-burdened households for development of an appropriate income level to maintain their housing.

County organizations have stepped up with a bridge type program to move clients from existing Permanent Supportive Housing beds of the CoC into their own housing unit in the community, thereby opening these beds to Chronically Homeless identified in the Coordinated Entry process as remaining on the streets or in substandard conditions.

Community Development staff are in the process of evaluating the tendency of lead hazards to be present in its housing stock, particularly in rental units. Community Development staff anticipate submitting an application for a Lead-Based Paint Abatement program and have already taken steps to begin procurement of a special trainer who can instruct County and Subrecipient staff on identifying and seeking the means to remediate lead paint and hazards. Community Development staff have identified that the Hebron community in the norther portion of the County has been identified as a high lead hazard community. In the long term, County staff have identified that the abatement of lead hazards will ensure that housing is no longer substandard.

Last, Community Development staff have identified areas with heavier concentrations of Low to Moderate Income populations and the propensity for substandard housing as a potential for Neighborhood Revitalization Strategies. The County anticipates employing at least one of these strategies in its next Consolidated Plan.

***"The County reports accomplishing goals not established in the Consolidated Plan."***

**Response:** As previously indicated, a Substantial Amendment to the Consolidated Plan is anticipated to be approved by the McHenry County Board on July 15, 2017. The two examples of serving clients not indicated in the Consolidated Plan will be alleviated by the factor and by ensuring a more specific matrix code is used. HUD will be provided with an updated CAPER for which it is anticipated that all activities and outcomes will be properly assigned. All new activities will be monitored by the Community Development Administrator for vetting to ensure the activity is eligible and for proper entry into IDIS. The CD Division will also ensure that future consultants, if utilized for Consolidated Plan entry, are more heavily supervised to ensure that potential Consolidated Plan activities are properly entered into IDIS in the first place.

***"A- Timeliness Test for CDBG"***

HUD tested the timeliness of the use of Community Development Block Grant funding and determined that the County had 1.01 years of unused funding in its Line of Credit as of November 1, 2016.

**Response:** While the 1.01 years of available funding in the Line of Credit is well within the acceptable threshold of 1.50 years, Community Development staff are targeting to be at 0.90 years of available funding on November 1, 2017, with a stretch goal of being at 0.80 years. CD staff have identified the rapid use of funding and reallocations of funding to shovel-ready projects are key in ensuring that the County continues to comply with this measure.

***"B-D Compliance with Primary Objective, Limitation on Planning and Administrative Costs and Limitations on Public Services" could not be identified until a corrected PR-26 Report was submitted."***

**Response:** A corrected PR-26 was submitted to the HUD Field Office on June 19, 2017. The report indicated that 84.93% of activities benefited Low to Moderate Income populations; 7.01% was utilized for Public Services (with a cap of 15%) and 12.26% was utilized for Administration (with a cap of 20%).

***"The County ranks 16<sup>th</sup> out of 18 Participating Jurisdictions (PJ's) in Illinois and has no red flags. The 2016 PY Snapshot Report of the McHenry County's HOME program performance reflects that the County has an excellent ratio of completed disbursements to rental commitments for HOME-assisted affordable housing programs. It's leveraging ratio, rate of progress in CHDO activities and targeting of rental units to very-low income households appear to be causing the lower ranking, overall."***

**Response:** It is important for the McHenry County Community Development Division to run a well-managed and successful entitlement program. The County will seek to be in the top 10 in the next evaluation. The county has been able to leverage significant resources due to the development of larger scale projects. An example of this will be the almost \$30 leveraged per each \$1 of funding allocated for project anticipated to close in 2017. Community Development staff have advised their funding Commission of the value and importance of leverage and match dollars and have advised that such projects score more highly when receiving funding and resources that can be leveraged. The County has also made allocations for funding that better serve very low income populations and will continue to target these populations with resources on a continual basis.

***"The County should place emphasis on reviewing and closing older activities in IDIS."***

**Response:** Community Development staff concur and have already begun working more diligently to close projects once it is verified that the County has reimbursement its Subrecipients for eligible expenses. The experience with

Subrecipients (i.e. timely receipt of reimbursements and paperwork) will continue to be taken into consideration or funding decisions.

***"HUD requests that you share this letter and the attachments with the residents of McHenry County."***

**Response:** McHenry County posted HUD's letter and its attachments on its Community Development web page along with the associated letter from 2015 as a point of reference. The letter and its attachments as well as our response will be posted for a minimum of thirty (30) days after our response has been developed.

One again, thank you for the opportunity to respond and demonstrate our ability to continue to have the capacity to administer CDBG and HOME funding.

If you should have any questions, please feel free to contact me at (815) 334-4089.

Best Regards,

Hans Mach  
Community Development Administrator